

“ROSARIO HABITAT” PROGRAM: COMPREHENSIVE PROGRAM FOR REHABILITATION OF UNREGULATED SETTLEMENTS

AR-0262

EXECUTIVE SUMMARY

Borrower and guarantor:	The Argentine Nation	
Executing agency:	City of Rosario, through the Public Housing Service (SPV)	
Amount and source:	IDB: (OC)	US\$43.0 million
	Local:	US\$28.7 million
	Total:	US\$71.7 million
Financial terms and conditions:	Amortization period:	25 years
	Grace period:	5 years
	Disbursement period:	5 years
	Interest rate:	variable
	Inspection and supervision:	1%
	Credit fee:	0.75%
	Currency:	U.S. dollars from the Single Currency Facility
Objectives:	The objective of the program is to control and channel the phenomenon of squatter occupancy and improve living standards for people in unregulated settlements within the city of Rosario, by assisting their physical and social integration into the formal city. This will be achieved through improvements to urban infrastructure, the provision of social services, and the regularization of ownership for the target population.	
Description:	The program will finance integrated neighborhood improvement projects in unregulated settlements in the municipality of Rosario, combining needed infrastructure investments with social development initiatives to enhance the human and social capital of these communities. The program consists of the following components:	
	Integrated urbanization (US\$57.6 million). This component will finance basic infrastructure works, urban services and comprehensive social initiatives to strengthen existing community networks in the	

program's target settlements. The following types of works and services will be financed: (i) infrastructure: purchase of lots, drinking water, sanitary sewers, storm sewers, roads, electricity and lighting and gas distribution, environmental protection (tree planting along streets, reforestation for erosion control, soil stabilization), garbage collection, social facilities, parks and playgrounds, relocation; (ii) initiatives to encourage beneficiaries to participate in project management: strengthening local networks for community participation in the planning, execution and consolidation stages of interventions; and (iii) ownership regularization: technical and legal assistance for regularizing the status of properties in these settlements.

Comprehensive attention to children, adolescents and families (US\$3.5 million). This component will finance initiatives by civil society organizations (CSOs) to upgrade or improve the quality, coverage and efficiency of risk-prevention services for children and adolescents in target neighborhoods. Eligible projects will include: (i) psychomotility stimulation; (ii) social education for children aged 10 to 14 years; (iii) nutrition; (iv) home food production; (v) recreation; (vi) family counseling; and (vii) efforts to encourage school enrollment and to enhance the employability of young people aged 15 to 24 years who have not completed primary school.

Employment and income generation (US\$2.5 million). The objective here is to provide beneficiaries with new skills that will improve their prospects in the labor market and help increase their incomes. This component will expand upon current initiatives of the Social Welfare Department, the Department of Production, Employment and Foreign Trade and the SPV, including: (i) integrated training, education and work experience in basic skills for youth aged 15 to 24 years who have completed primary school, and (ii) reinforcement, technical support and operating assistance for social enterprise incubators.

Institutional strengthening (US\$1.7 million). This component will finance: (i) design and implementation of a program monitoring and evaluation system; (ii) three studies. The first will identify distortions and barriers that block access for low-income families to affordable housing and will develop specific proposals for correcting market failures and thereby stimulate housing supply and demand, including subsidy and microfinance mechanisms for housing extensions and upgrades. The second study will assess the city's urban development and housing policies in terms of stimulating the supply of social housing lots and controlling the phenomenon of squatter settlements. The third study will involve the valuation of indirect benefits and the charging of improvement fees; (iii) training for the program's technical personnel; (iv) technical assistance for improving

management in the municipal bodies responsible for program execution. Support will also be provided to community organizations and CSOs participating in the program, with technical assistance and management tools, in order to strengthen their technical capacity for project management, including environmental issues, and for mobilizing funding from business and philanthropic sources; and (v) social communication to promote the program among the beneficiary community and with the public at large.

**The Bank's
country and
sector strategy:**

The Bank's strategy in Argentina places priority on the following areas: (i) deepening and consolidating the modernization of the State; (ii) reducing poverty and raising living standards; and (iii) increasing the productivity and competitiveness of the national economy. The proposed program falls under point (ii) of this strategy, which calls for a number of components including social protection networks, employment, water and sanitation, environmental management and urban development (in terms specifically of housing and municipal development). In addition, the Bank's policy for the urban sector (OP-751) gives priority to overcoming the urban infrastructure deficit and improving basic services for city residents, in particular low-income groups. In this regard, the Bank has been providing increasing support for cost-effective neighborhood improvement projects to meet the needs of the great numbers of urban dwellers living in substandard conditions, together with initiatives to reduce social risk and to sponsor community participation in the planning, execution and consolidation of these interventions.

**Environmental
and social
review:**

The program will have a highly positive impact by eliminating environmentally hazardous areas and/or relocating families now living in such situations. Environmental and social benefits were considered in the program environmental analysis and in an environmental procedure that was applied to the project sample and will subsequently be applied to other projects financed. This procedure goes hand in hand with social monitoring through the participatory project execution cycle and is part of the Operating Regulations (see paragraphs 4.24 to 4.31).

Benefits:

The physical interventions planned in targeted settlements will ensure access for all residents to basic services such as water, sanitary and storm sewers, light, road access, parks and playgrounds, and garbage collection. The social interventions and the employment and income generation initiatives will help these communities to augment their human and social capital and thereby prevent or reduce social risks inherent in situations where social inequalities are extreme and public services are not available. These efforts will enhance the well-being of the target low-income population.

Lessons learned from experience in other Latin American countries point to further benefits that will have a positive impact on living standards, such as by reducing the social and health risks to which squatters, and particularly their young and adolescent children, are exposed, and providing them with a brighter future by improving their education levels and their employability. The planned interventions are expected to benefit approximately 6,600 families, as well as 2,100 children and adolescents through the youth care component, and approximately 1,650 individuals through the employment and incomes component.

Risks:

Program complexity and diversity of situations. As with any integrated project, concerns arise over coordination among executing agents and their capacity to carry out the more innovative components. Moreover, in certain of the program's settlements there are risks inherent in depending on the response of the community or of nongovernmental executors, and in the level of violence that is sometimes present. Although the SPV has a proven methodological and operational track record only with more limited interventions, its past experience is considered sufficient to minimize institutional risks. In addition, supervision will be "flexible and frequent", based on annual evaluations that will allow timely corrective measures to be taken.

CSO sustainability. The fact that these agencies are dependent on donated funding poses a risk to the sustainability of some of the activities financed under the program. To minimize this risk, CSOs will be encouraged to put themselves on a self-financing basis, by developing their own sources of revenue and raising funds from business and philanthropic sources.

Special contractual clauses:

Conditions precedent to the first disbursement: the borrower will submit to the Bank's satisfaction: (i) the municipal decree defining the program's execution structure and the responsibilities of the participating municipal bodies; (ii) the framework agreement for transfer of funds from the proposed Bank loan, signed between the borrower, the Ministry of Social Development and Environment and the City of Rosario; (iii) evidence that the Operating Regulations are in force; (iv) agreements signed between the executing agency and the Provincial Water Utilities of Santa Fe, the Provincial Energy Utility and Litoral Gas, relating to their takeover, operation and maintenance of the local systems installed under the program; and (v) evidence that the neighborhood improvement and serviced lots program financed by

loan 940/OC-AR is limited, as far as Rosario is concerned, to the three projects that were in the portfolio as of September 2000 (paragraph 3.3).

Other special conditions: (i) within 120 days after the first disbursement, the executing agency will submit to the Bank evidence that the studies described in Annex A to the contract have been awarded in accordance with the terms of reference agreed with the Bank (paragraph 3.2); (ii) within 90 days after approval by the executing agency and the Bank of the final reports from those studies, the executor will present to the Bank its plan for putting their recommendations into effect (paragraph 3.2); (iii) the executing agency will present to the Bank, within 120 days after the end of each fiscal year, a program impact evaluation report on each settlement wound up in the previous year, in accordance with the terms of reference agreed with the Bank (paragraph 3.26); (iv) within 90 days after signature of the loan contract, the executing agency will present to the Bank evidence that the program files have been properly organized by subject under a centralized archives plan agreed with the Bank (paragraph 3.30), and (v) prior to the last disbursement, the executing agency will submit to the Bank the final program evaluation report, in accordance with the terms of reference agreed with the Bank (paragraph 3.37).

Poverty-targeting and social sector classification:

This operation qualifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Furthermore, this operation qualifies as a poverty-targeted investment (PTI), under the automatic sector criterion, because it is a neighborhood improvement program (see paragraph 4.32). The borrowing country will be using the 10 percentage points in additional financing.

Exceptions to Bank policy:

None.

Procurement:

Goods, civil works and services. Consistent with Bank policies, international competitive bidding will be used where the estimated contract amount is the equivalent of US\$5 million or more, in the case of civil works contracts, and US\$350,000 or more in the case of equipment purchases.

Consulting services. Consulting services will be selected and contracted in accordance with Bank procedures. International competitive bidding will be used where the estimated amount of a contract with a firm exceeds the equivalent of US\$200,000. For the

contracting of social service providers under the child and adolescent care and the employment and income generation components, the annual prequalification system will generally be used, with resort to prequalification by project, area or group of projects on an exceptional basis, in accordance with the procedures established in Annex C to the loan contract, except for the negotiation phase of economic proposals, since these are services with a preestablished fixed price. Document GN-1679-2 provides for this approach.

Ex post evaluation limits. Given the great number of goods purchases, works contracts and consulting services required for the program, and in order to streamline execution, it is recommended that the Bank's no-objection requirement be applied only in the case of works contracts exceeding US\$5 million, equipment purchases exceeding US\$350,000 and contracts with consulting firms or individual consultants exceeding US\$100,000 and US\$50,000, respectively.